

VZCZCXYZ0000
RR RUEHWEB

DE RUEHSA #0373/01 0320632
ZNR UUUUU ZZH
R 010632Z FEB 07
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 7991

UNCLAS PRETORIA 000373

SIPDIS

SENSITIVE BUT UNCLASSIFIED
SIPDIS

E.O. 12958: N/A

TAGS: [ENRG](#) [SF](#)

SUBJECT: SOUTH AFRICA HIT BY ELECTRICITY CUTS AND FACED
WITH A PROLONGED PERIOD OF TIGHT ENERGY SUPPLY

REF: PRETORIA 00317

¶1. (SBU) Summary. South Africa was hit by widespread power outages on January 18-23 that affected many industries and one-fifth of all households. Technical problems caused unexpected shut-downs at six conventional coal powered plants and at the country's sole nuclear power plant near Cape Town. Claims by businesses and economists that the power cuts will hinder economic growth were disputed by South Africa's Finance Minister. Additional generation capacity has been stalled since the mid-1990's, as the newly elected ANC government attempted and then largely abandoned the notion of privatizing the energy sector. New capacity, from additional coal plants, will not come on line until 2010. South Africans have been warned to live with a tight energy supply and adopt energy conservation measures until new power comes on-line. End Summary.

Lights Out

¶2. (U) South African parastatal electricity provider Eskom was forced to institute mandatory rolling blackouts on January 18 when it unexpectedly lost 4,900 MW out of its 36,800 MW generation capacity. An additional 4,400 MW were already down due to planned maintenance. The outages, which affected many industries and one-fifth of all South African households, ended January 23. Technical problems caused six coal power plants to shut-down and another shut-down at the country's sole nuclear reactor at Koeberg near Cape Town. Note: The Koeberg plant has been the subject of intense scrutiny since last year when a stray bolt caused major damage to a generator and shut the plant down for months, causing major power outages in the Cape region. Department of Public Enterprise Minister Alec Erwin attributed that incident to sabotage but his allegation was never proven. End Note.

¶3. (U) The blackouts caused particular problems for the power-hungry mining and metal industries which must completely shut-down and then re-start operations for each black-out. After last year's power cuts, many industries, including most banks, installed costly back-up generators. South Africa's largest group of home-supply stores, Massmart, reported that it has experienced a ten-fold increase in home-generator sales since the electricity blackouts began.

Controversy

¶4. (SBU) The blackouts whipped up a storm of media controversy, with some businessmen and economists claiming that the power shortages would shave GDP growth by 0.2-0.3 percent this year -- claims which Finance Minister Trevor Manuel dismissed as "utter garbage." Manuel said that Eskom's

capacity constraints were not a problem and that mothballed coal generating plants would be brought on line "immediately." The mothballed coal plants will not come on-line until 2008. Meanwhile, Eskom hopes to start construction on a coal plant which will bring an additional 2,250 MW on-line in late 2010. This will be the first new power plant Eskom will have built in twenty years. Eskom is also planning additional nuclear plants (reftel).

Under-Investment

¶5. (SBU) In the mid-1990's, the newly elected ANC government put a freeze on Eskom's power plant construction, expecting that private power generation would take up the slack. Since then, numerous energy experts, including Eskom itself, predicted that the country was heading for a power crunch unless the government built new capacity. Unfortunately, private sector power generation never materialized, and by 2004, it was clear that electricity demand growth had far exceeded projections as a result of strong economic growth. That year, the SAG rescinded the freeze on Eskom expansion, mandating that Eskom remain in public hands and continue as the country's foremost energy provider. SAG has now budgeted \$14 billion to upgrade generation capacity by 8,000 MW over the next five years.

Future: More Black-Outs, Energy Conservation

¶6. (SBU) Eskom CEO Thulani Gcabashe warned South Africans last week that they will have to live with a tight energy supply and adopt energy conservation measures until new power comes on-line in 2010. On January 30 Eskom released a statement warning that load shedding on a rotational basis will be instituted if additional plant shut-downs occur and asked consumers to switch off non-essential equipment such as air conditioners, geysers (hot water heaters) and swimming pool pumps. Demand for electricity will peak in the coming Southern Hemisphere winter months of June, July and August.

Comment

¶7. (SBU) CEO Gcabashe's warning is significant because it marks the first time Eskom has admitted it may not be able to meet energy demand in the coming years. During last year's power outage, Eskom reassured the public that the electricity cuts were a one-time event. Eskom's acceptance of reality establishes a breach between Eskom and Finance Minister Manuel's dismissal of the problem. The question is now how long it will take Manuel to accept publicly the same reality.
BOST